

**REPORT OF THE AUDIT OF THE
KENTON COUNTY
SHERIFF**

**For the Year Ended
December 31, 2000**



**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE KENTON COUNTY SHERIFF

**For The Year Ended
December 31, 2000**

The Auditor of Public Accounts has completed the Kenton County Sheriff's audit for the year ended December 31, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$187,519 from the prior calendar year, resulting in a cash surplus of \$597,039 as of December 31, 2000. Revenues increased by \$120,965 from the prior year and disbursements increased by \$342,977.

Debt Obligations:

Capital lease principal agreements totaled \$54,837 as of December 31, 2000. Future principal and interest payments of \$57,963 are needed to meet these obligations.

Report Comments:

- Lacks Adequate Segregation Of Duties
- The Sheriff Incorrectly Maintained His Credit Card Account

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER	5
NOTES TO THE FINANCIAL STATEMENTS.....	7
COMMENTS AND RECOMMENDATIONS	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	17



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable Charles L. Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Kenton County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Kenton County Sheriff and the receipts, disbursements, and fund balances of the Kenton County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable Charles L. Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Based on the results of our audit, we have presented comments and recommendations, included herein, which discusses the following report comments:

- Lacks Adequate Segregation Of Duties
- The Sheriff Incorrectly Maintained His Credit Card Account

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2002, on our consideration of the Kenton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 26, 2002

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Year Ended December 31, 2000

Receipts

State Fees for Services:

KLEFPF Funds	\$ 62,892	
Summoning Witnesses	324	
Attending Jury	33	
Court Service Fees	260,654	
Conveying Prisoners	<u>6,273</u>	\$ 330,176

Circuit Court Clerk:

Sheriff's Security Service	\$ 136,820	
Paperwork Service Fees	<u>1,360</u>	138,180

Fiscal Court:

Election Commissioner		260
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County Clerk:

Delinquent Tax Fees		11,120
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Commission on Taxes

1,925,024

Fees Collected for Services:

Auto Inspections	\$ 67,031	
Serving Papers	180,435	
10% Add-On Fees	150,087	
Carrying Concealed Deadly Weapon Permits	50,885	
Sheriff's Advertising Fees	7,781	
Tax Inquiry Fees	742	
Other	<u>1,261</u>	458,222

Other Receipts:

Bad Check Charge	\$ 995	
Sale of Cars	13,210	
Interest Earned	33,705	
Miscellaneous	<u>1,432</u>	<u>49,342</u>

Total Receipts

\$ 2,912,324

KENTON COUNTY
 CHARLES L. KORZENBORN, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 For The Year Ended December 31, 2000
 (Continued)

Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$	35,875
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Net Receipts	\$	2,876,449
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Payments to State Treasurer:

75% Operating Fund	\$	2,266,460 *
25% County Fund		609,989
		<u>2,876,449</u>

Balance Due at Completion of Audit	\$	<u>0</u>
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*Includes reimbursed expenses of \$453,521. See Note 1B.

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES L. KORZENBORN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER

For The Year Ended December 31, 2000

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2000	\$ 409,667	\$	\$ 409,667
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	2,266,460		2,266,460
Fees Paid to State - County Funds (25%)		609,989	609,989
Total Funds Available	\$ 2,676,127	\$ 609,989	\$ 3,286,116
<u>Disbursements</u>			
Kenton County Government	\$	\$ 609,989	\$ 609,989
Personnel Services-			
Deputies' Salaries	1,249,762		1,249,762
Official's Statutory Maximum	73,426		73,426
Employee Benefits-			
Social Security	94,826		94,826
Retirement	173,577		173,577
Health Insurance	188,280		188,280
Life Insurance	620		620
Unemployment Insurance	3,681		3,681
Contracted Services-			
Vehicle Maintenance and Repairs	24,773		24,773
Legal Services	8,621		8,621
Tax Lockbox	5,172		5,172
Equipment Maintenance	2,912		2,912
Physicals and Drug Testing	2,416		2,416
Data Processing	25,000		25,000

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES L. KORZENBORN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 For The Year Ended December 31, 2000
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Materials and Supplies-			
Office Materials and Supplies	\$ 11,150	\$	\$ 11,150
Uniforms	24,308		24,308
Deputy Supplies	4,611		4,611
Gasoline	30,336		30,336
Other Charges-			
Convention/Training/Travel	8,275		8,275
Dues	3,755		3,755
Postage	4,702		4,702
Telephone	17,978		17,978
Pager	2,095		2,095
Liability/Law Enforcement Insurance	34,953		34,953
Parking	15,288		15,288
Miscellaneous	10,744		10,744
Debt Service-			
Vehicle Lease Purchase	57,963		57,963
Total Disbursements	<u>\$ 2,079,224</u>	<u>\$ 609,989</u>	<u>\$ 2,689,213</u>
Fund Balance - December 31, 2000	<u>\$ 596,903</u>	<u>\$ 0</u>	<u>\$ 596,903</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2000
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and 7.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent for the first six months of the year and 16.78 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Lease-Purchase Agreement

The Office of the County Sheriff is committed to a lease agreement with Ford Motor Company for eight (8) Crown Victorias. The agreement requires an annual payment of \$57,963 for three years, beginning October 1, 1999 and ending on October 1, 2001. The total balance of the agreement is \$57,963 as of December 31, 2000.

COMMENTS AND RECOMMENDATIONS

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Incorrectly Maintained His Credit Card Account

Per memo dated June 29, 1999 from the Finance and Administration Cabinet to County Sheriffs' offices in counties with a population of over 70,000 Sheriffs are allowed to establish a travel account. This account should only be used for expenses incurred for out-of-state travel to transport prisoners. During 2000, the following occurred in this account.

- a) The Sheriff wrote checks out of the credit card account to cover expenditures for jury lunches, vending machine repair, travel/training reimbursements, furniture, printing, etc.

We recommend these items be direct disbursements and run through the fee account, whether they are on purchase orders, travel vouchers, or checks from the imprest account. This account is strictly to be used to pay for expenses incurred for out-of-state travel to transport prisoners.

- b) The Sheriff did not have invoices/receipts for all of his credit card expenditures:

We recommend receipts be maintained for all credit card expenditures.

- c) The Sheriff allowed finance charges to occur in two months on his credit card account.

We recommend the credit card be paid in a timely manner so finance charges don't accrue.

- d) The Sheriff allows the credit card to be used for training expenditures.

We recommend training expenses be paid for by employees and reimbursed on travel vouchers submitted by employees.

- e) Per the Finance and Administration Cabinet, every six months any excess funds above a specific amount allowed for expenses for the next few trips should be deposited into your operating fee account.

We recommend the Sheriff turn over excess funds in his travel account (credit card account) on a pay-in voucher to his fee account every six months as directed by the Finance and Administration Cabinet.

County Sheriff's Response:

So noted.

County Judge/Executive Richard Murgatroyd's Response:

Acknowledged.

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2000
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of adequate segregation of duties. Due to the entity's diversity of official operations and job assignments, the Sheriff has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- Separate individuals should post receipts to ledger and make deposits.
- Individual making deposits should not have access to cash drawers.
- Individual opening mail should have no access to cash receipts records.

County Sheriff's Response:

So noted.

County Judge/Executive Richard L. Murgatroyd's Response:

Acknowledged.

PRIOR YEAR FINDINGS:

1. The Sheriff Incorrectly Maintained His Credit Card Account

- a) The Sheriff wrote checks to cash to pay for jury lunches and employee reimbursements.

Sheriff corrected this in the year ended December 31, 2000.

- b) The Sheriff wrote checks to cover expenditures for jury lunches, uniform items, office supplies, etc., from the credit card account.

This issue is still unresolved in the current year. See comment 1a, page 10 of this report.

- c) The Sheriff wrote checks for disallowed expenditures.

The Sheriff is making an effort to correct this finding.

- d) The Sheriff did not have invoices/receipts for all of his cash expenditures.

This issue is still unresolved in the current year. See comment 1b, page 10 of this report.

- e) The Sheriff allowed a finance charge to occur in one month on his credit card.

This issue was repeated in two months in the current year. See comment 1c, page 10 of this report.

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2000
(Continued)

PRIOR YEAR FINDINGS: (Continued)

1. The Sheriff Incorrectly Maintained His Credit Card Account (Continued)

- f) The Sheriff should turn over excess funds in his travel account (credit card account) on a pay-in voucher to his fee account.

The Sheriff did this early in 2001, but has not done so since.

2. The Sheriff Should Prepare Daily Cash Checkout Sheets

This issue has been resolved.

3. The Sheriff Should Deposit Receipts Daily

This issue has been resolved.

4. The Sheriff Should Maintain Invoices/Documentation For All Expenditures

This issue is still unresolved in the Credit Card Account. See comment 1b, page 10 of this report.

5. The Sheriff Should Prepare Monthly Bank Reconciliations

This issue has been resolved.

6. A Total Of \$2,005 Of The Sheriff's Expenditures Of Public Funds Are Disallowed And Have Been Repaid From Personal Funds

The Sheriff paid this amount in the prior year.

7. The Kenton County Judge/Executive Should Request The County Attorney Collect Monies Owed By Former Sheriffs William And Gary Lay

This issue has been resolved by the Fiscal Court.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Kenton County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated July 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kenton County Sheriff's financial statements for the year ended December 31, 2000, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations section.

- The Sheriff Incorrectly Maintained His Credit Card Account



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kenton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comments and recommendations section.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 26, 2002

